

Message Text

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SUBJ: YUGOSLAV DRAFT RESOLUTION FOR 1977

REF: BELGRADE 5035

SUMMARY: THE FEDERAL EXECUTIVE COUNCIL HAS SENT TO THE FEDERAL ASSEMBLY THE DRAFT RESOLUTION FOR 1977, WHICH IS DESIGNED TO DIRECT THE YUGOSLAV ECONOMY IN THAT YEAR UNDER THE GENERAL GUIDELINES OF THE 1976-80 MEDIUM TERM DEVELOPMENT PLAN. THE DRAFT, EXPECTED TO BE PASSED DEC 24 WITH NO SIGNIFICANT CHANGES, EMPHASIZES INCREASED PRODUCTIVITY AND PRICE STABILIZATION AHEAD OF INDUSTRIAL GROWTH. END SUMMARY.

1. UNLIKE EARLIER ANNUAL PLANS, THE DRAFT RESOLUTION FOR 1977 HAS LITTLE IN THE WAY OF SPECIFIC TARGETS OR AN OUTLINE FOR ECONOMIC GROWTH. IT LISTS BASIC OVERALL GOALS AND OBJECTIVES FOR THE ECONOMY, BUT WITH SOME EXCEPTIONS, RELIES ON THE FIVE-YEAR PLAN FOR DETAILED DEVELOPMENT PLANS.

2. THE DOMINANT THEMES OF THE RESOLUTION ARE THAT PRICE STABILIZATION IS MORE IMPORTANT THAN A HIGH RATE OF INDUSTRIAL GROWTH AND THAT PRODUCTIVITY MUST BE STRESSED AT ALL LEVELS

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OF THE ECONOMY. REGARDING PRICE STABILIZATION, NISIM KONFINO,

SECRETARY OF THE FEC SECRETARIAT FOR FOLLOWING ECONOMIC TRENDS, STATED THAT "THERE IS NO INCREASING OF PRODUCTION AT THE PRICE OF INCREASING INFLATION, OF HAVING A MAJOR INCREASE IN THE DEFICIT OF THE BALANCE OF PAYMENTS. THIS , IF MY UNDERSTANDING OF THE ADOPTED POSITIONS IS CORRECT, WOULD BE AN ALTERNATIVE WHICH THE FEDERAL EXECUTIVE COUNCIL SHALL NOT ACCEPT." THE GOAL IS TO HOLD INCREASES IN PRICES AND THE COST OF LIVING TO 1976 LEVELS, WHICH WILL BE AROUND 10 PERCENT. INVESTMENT EXPENDITURES ARE ESSENTIALLY TO REMAIN AT THE SAME LEVELS.

3. PRODUCTIVITY WAS STRESSED THROUGHOUT THE RESOLUTION AND SEVERAL METHODS OF INCREASING PRODUCTIVITY WERE DESIGNATED FOR IMPLEMENTATION OF ALL SOCIAL-POLITICAL LEVELS. THESE METHODS INCLUDED AN ELIMINATION OF WAGE-LEVELING TRENDS; A REDUCTION OF ADMINISTRATIVE PERSONNEL COUPLED WITH AN INCREASE OF THE PRODUCTION WORK FORCE; BETTER SCHEDULING OF WORK HOURS; AND BETTER COORDINATION OF WORK UNITS.

4. THE SPECIFIC TARGETS FOR 1977 INCLUDE THE FOLLOWING:

GROWTH RATE	
GNP	5.5 PERCENT
INDUSTRIAL PRODUCTION	6 "
AGRICULTURAL PRODUCTION	3 "
EMPLOYMENT (SOCIAL SECTOR)	3 "
PRODUCTIVITY (SOCIAL SECTOR)	3 "
INVESTMENTS IN THE ECONOMY	8.5 "
INVESTMENTS IN HOUSING	7 "
INVESTMENTS IN THE SOCIAL SECTOR BESIDES HOUSING	3.5 "
PERSONAL SPENDING	4.5 "
EXPORTS	6.5 "
IMPORTS	7 "
PRICES AND COST OF LIVING	NO HIGHER THAN 1976 (AROUND 10 PERCENT)

5. IN RESPONSE TO CRITICISM THAT THE DRAFT WAS NOT CONCRETE ENOUGH, MILORAD BIROVLJEV (FEC MEMBER AND CHAIRMAN OF THE FEC COMMITTEE FOR SOCIAL PLANNING) REPLIED THAT IT WASN'T AN LIMITED OFFICIAL USE

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"ANNUAL PLAN, BUT A WORK PROGRAM FOR REALIZING THE FIVE-YEAR PLAN. IT MERELY SPECIFIES THE MOST IMPORTANT AND CENTRAL TASKS TO BE ACCOMPLISHED IN 1977." THESE TASKS DESIGNATED FOR EMPHASIS INCLUDED AGRICULTURE, HOUSING, CREDITING OF SHIP AND EQUIPMENT SALES, THE CRAFTS AND TRANSPORTATION. ALL ARE AREAS WHERE A SPECIAL EFFORT IS NOW NEEDED TO ENSURE THAT THE GOALS OF THE FIVE-YEAR PLAN ARE REALIZED.

6. OTHER POINTS COVERED IN THE 1977 RESOLUTION INCLUDED:
A. THE REQUIREMENT THAT WAGE INCREASES BE TIED
COMPLETELY TO VERIFIED RESULTS, NOT ANTICIPATED RESULTS.

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B. THE POLICY THAT BANKS AND OTHER FINANCIAL INSTITUTIONS
WOULD LOWER THEIR INTEREST RATES TO REFLECT THE REDUCED RATE
OF INFLATION.

C. THE BALANCE OF PAYMENTS POSITION OF BOTH REPUBLICS
AND PROVINCES, AS WELL AS THE FEDERAL GOVERNMENT, WILL
BE AN INTEGRAL PART OF THE SYSTEM, AND WILL BE CONSIDERED
IN FOREIGN TRADE DECISIONS.

D. TO INCREASE THE FLOW OF MONEY, AN EFFORT WILL BE
MADE TO SPEED UP THE MONETIZATION OF SECURITIES RESULTING
FROM THE NEW LAW ON PAYMENTS.

7. COMMENT: THE LACK OF DETAIL IN THIS RESOLUTION WITH REGARD
TO INVESTMENT IN THE PRIORITY SECTORS AND IN THE UNDER-DEVELOPED
REGIONS PLACES EVEN MORE IMPORTANCE UPON THE YET UNCOMPLETED
SOCIAL AGREEMENTS IN EACH OF THE PRIORITY SECTORS. THESE AGREE-
MENTS, AN INTEGRAL PART OF THE FIVE-YEAR DEVELOPMENT PLAN AND
DESCRIBED AS DETAILED OUTLINES FOR INVESTMENT BY PRODUCT AND
BY REGION, HAVE NOT YET BEEN COMPLETED IN THE KEY FIELDS OF
ENERGY, AGRICULTURE, AND FERROUS METALLURGY. THE LONGER THEY
ARE DELAYED, THE LESS LIKELY THAT THE AMBITIOUS GOALS OF THE

FIVE-YEAR PLAN CAN BE ACHIEVED, PARTICULARLY SINCE THE LEAD TIME FOR PROJECTS IN SEVERAL OF THE PRIORITY SECTORS IS VERY LONG,

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8. THE CONTINUED EMPHASIS ON PRICE STABILITY OVER INDUSTRIAL GROWTH, EVEN AFTER THIS YEAR'S DISAPPOINTING RESULT IN INDUSTRIAL PRODUCTION, IS SURPRISING. WHILE IT HAS ALWAYS BEEN ENVISIONED THAT HIGH GROWTH RATES WOULD ONLY COME IN THE LATER YEARS OF THE FIVE-YEAR PLAN, THE WEAK PERFORMANCE IN 1976 HAS MADE AN ALREADY DIFFICULT GOAL--AN AVERAGE ANNUAL INCREASE IN INDUSTRIAL PRODUCTION OF 8 PERCENT--EVEN MORE DIFFICULT TO ACHIEVE. A SIMILAR PERFORMANCE IN 1977 WOULD MAKE IT ALMOST IMPOSSIBLE. YET THE RESOLUTION CONTAINS NO MEASURES TO STIMULATE INDUSTRIAL PRODUCTION, EVEN ON A STAND-BY BASIS. FURTHERMORE, CONTINUED RESTRICTIONS ON PROCES COULD BEGIN TO LIMIT PRODUCTION. ACCORDING TO A STUDY OF THE MARKET RESEARCH INSTITUTE CITED BY KONFINO, 70 PERCENT OF INDUSTRIAL PRODUCERS CLAIM THAT INADEQUATE PRICES ON THE DOMESTIC MARKET ARE BEGINNING TO DO JUST THAT.

9. THE MAINTAINING OF PRICE INCREASES AT 1976 LEVELS WILL BE VERY DIFFICULT TO ACCOMPLISH IN ANY CASE. ADMINISTRATIVE MEASURES WERE TO A LARGE EXTENT RESPONSIBLE FOR THE CURRENT LOW LEVEL OF INFLATION AND PRESSURE FOR INCREASES IS GROWING. CONTINUED WAGE INCREASES, LOSSES IN ENTERPRISES, POTENTIAL INCREASES IN THE COST OF IMPORTED OIL, AN EXPANSION OF THE MONEY SUPPLY BY OVER 50 PERCENT IN THE CURRENT YEAR AND A RISING LEVEL OF PRICE INCREASE REQUESTS, ALL POINT TO HIGHER PRICES. SEVERAL YUGOSLAV ECONOMISTS AND GOVERNMENT OFFICIAL HAVE ACKNOWLEDGED THE DIFFICULTY OF THE TASK. DUSAN ANAKIOSKI, UNDER SECRETARY OF THE FEDERAL SECRETARIAT FOR MARKET AND PRICES, SAID IN A CONVERSATION WITH AN EMBASSY OFFICER, THAT IT WAS UNREALISTIC TO HOLD PRICE INCREASES TO 1976 RATES, GIVEN THE PRESSURES FOR INCREASES THAT WERE ALREADY PRESENT.

10. INCREASED PRODUCTIVITY HAS BEEN A COMMON THEME IN THE PRESS AND IN THE SPEECHES OF SENIOR YUGOSLAV OFFICIALS THROUGH THE YEARS, BUT WITH INCREASED INTENSITY LATELY. THERE ARE NO SIGNS AS OF YET, HOWEVER, THAT THE YUGOSLAVS ARE READY TO MOVE BEYOND JAWBONING TO TAKE ANY CONCRETE MEASURES TO ACCOMPLISH THIS GOAL.
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